Supreme Court, U.S.
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No. OFFICE OF THE CLERK

In The Supreme Court of the United States October Term, 1997

E. J. COMPANY, VIRA HAYES,
AND
ROBERT HAYES,

Petitioners,

v.

SANDVIK AKTIEBOLAG,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

I. Whether the patent monopoly prohibits replacement of an unpatented part of a patented combination.

II. Whether the Aro I standard for determining permissible replacement of an unpatented element of a claimed combination should now include the following factors: (1) the relative life span of the elements; (2) the existence of an industry for repairing the unpatented element; and (3) the patentee's intent regarding permissible repair of the unpatented element.

STATEMENT PURSUANT TO RULE 29.1

The only parties to this action are those listed in the caption. E. J. Company has no parent or subsidiary companies.

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Petitioners, E. J. Company, Vira Hayes and Robert Hayes, (hereinafter "E. J. Company"), respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit (hereinafter "Federal Circuit") in this case.

OPINIONS BELOW

The opinion of the Federal Circuit is reported at 121 F.3d 669, 43 USPQ2d 1620 (Fed. Cir. 1997) and is reprinted in the Appendix (*infra,* 1a - 9a). The opinion of the United States District Court for the Eastern District of Tennessee is reported at 930 F.Supp. 306 (EDTenn 1996) and is reprinted in the Appendix (*infra,* 24a - 34a). Other opinions of the United States District Court for the Eastern District of Tennessee are reprinted in the Appendix (*infra,* 11a - 23a).

JURISDICTION

The Federal Circuit entered its decision on August 6, 1997. E. J. Company requested rehearing. The Federal Circuit denied E. J. Company's petition for rehearing on October 16, 1997. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

No statutes are directly involved in the present petition.

STATEMENT OF THE CASE

As is more fully set forth below, in the proceedings below the Respondent, Sandvik, alleged infringement of U.S. Letters Patent No. 4,222,690 (hereinafter "the '690 patent")[App. 35a - 42a], and U.S. Letters Patent No. 4,381,162 (hereinafter "the '162 patent")[App. 43a - 50a]. The primary issue before the district court on motion for summary judgment was whether certain conduct of E. J. constitutes permissible repair, or impermissible reconstruction. The district court granted a motion for summary judgment of non-infringement, and the Federal Circuit reversed on appeal.

I. BACKGROUND

A. THE PATENTED TECHNOLOGY.

Both of the patents-in-suit generally relate to a drill having a shank portion and a pair of specifically configured cutting edges. Figures 1-4 of the '690 patent, set forth below, illustrate the basic construction of the drill in question.

FIG. 1.

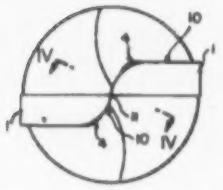


FIG. 2.

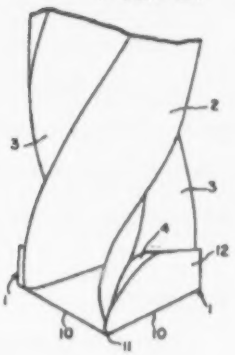


FIG. 3.

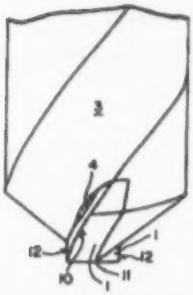
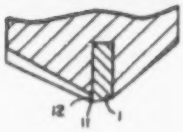
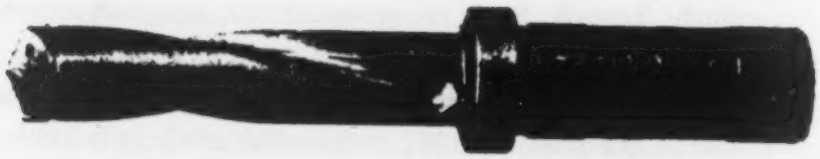


FIG. 4.



In the illustrations set forth above, the tip insert is referenced at "1" in FIGS. 1-4 and the shank of the drill is referenced at "2" in FIG. 2. In the commercial configuration of the drill which is manufactured by Sandvik the cutting edges of the drill are defined by a carbide tip insert which is mounted in a slot provided in the shank of the drill, with the tip insert being secured in place by brazing. In other words, the carbide tip insert is soldered in place using a hard solder having a relatively high melting point. A photograph of a typical Sandvik Coromant drill of the type which is repaired by E. J. Co., is set forth below.



It will also be noted that the Claims of the '690 and '162 patents are directed to a drill, or a method of drilling a bore, and the cutting edges formed on the tip insert are merely unpatented elements of the patented drill.

B. FACTUAL BACKGROUND.

There was affidavit testimony before the district court on motion for summary judgment that, the carbide tip inserts generally wear out long before the shank of the drills. Therefore, it is a common practice in the industry for drill owners to have their drills repaired rather than discarding usable shanks, and various companies offer repair services which include the retipping of drills. While preparing for its motion for summary judgment of non-infringement in the district court proceedings E.J. took the deposition of Mr. Tony Yakamavich, who was the person designated by Sandvik under FRCP 30(b)(6) to testify on its behalf on the "repair vs. reconstruction" issue. Mr. Yakamavich testified as follows:

> Q. In the industry is it common, and I'm talking about drills, not just that may have patent coverage alleged to apply to them, is it common for the service of retipping to be offered to owners of the drills?
>
> A. Yes, sir.
>
> Q. Does that practice commonly involve drill tips that are brazed into the shank?
>
> A. Yes, sir.
>
> Q. Are you aware of companies that offer that service?
>
> A. I am.

Accordingly, Sandvik clearly recognized that retipping is a common practice.

E. J. has been in the business of repairing used drills for their owners since approximately 1983, and since approximately 1988 or 1989 has marketed its own carbide drill. In connection with its repair business, E. J. has, at the request of its customers, replaced the worn carbide tip inserts of drills manufactured and sold by Sandvik, as well as those of other drill manufacturers, with new carbide tip inserts. With respect to the repair process by which Sandvik drills are repaired, when the worn drills are received from their owners for repair they are analyzed to ascertain what repairs are necessary. If there is damage to the shank of the drill, the drill is returned to the owner without repair, or, in some instances, thrown away. If the cutting edges of the drill merely need sharpening, the edges are sharpened and the drill is returned to the owner. It will be noted in this regard that Sandvik took the position that sharpening of its drills is not deemed to constitute infringement.

If the tip insert is too badly worn or damaged to be resharpened, the tip insert is removed and replaced. Pursuant to the repair process, the distal end of the drill is heated to melt the brazing material, and the worn tip insert is removed from the shank. A replacement tip insert is then secured in the slot of the original drill shank by brazing. After the drill has cooled, the tip insert is ground to the proper diameter utilizing a conventional grinding machine, and, utilizing sharpening instructions published by Sandvik, the tip insert is further ground to produce the desired cutting edges.

Thus, the repair performed by E. J. on Sandvik's drills, and the drills of others, simply involves the replacement of a worn part with a new one, and only the tip insert is replaced. E. J. does not replace the shank of the drill or any part thereof. Moreover, E. J. does not sell, and has not sold, repaired Sandvik's drills to new owners. The retipping services of E. J. are strictly repair services offered to the owners of the drills who generally do not have the equipment to repair the drills themselves.

II. PROCEEDINGS BELOW

Sandvik filed suit against E.J. in the U.S. District Court for the Middle District of Tennessee on December 7, 1994, alleging infringement of the '690 and '162 patents. Both parties moved for summary judgment on the repair vs. reconstruction issue, and on January 22, 1996, the district court entered an Order and Memorandum dismissing Sandvik's patent infringement claims. [App. 24a - 34a]. In this regard, the district court held that the conduct of E.J. constituted the mere replacement of an unpatented part of a patented combination, and, thus, constituted permissible repair under this Court's opinion in Aro Mfg. Co. v. Convertible Top Replacement Co., 365 U.S. 336 (1961). On February 16, 1996, Sandvik moved for reconsideration of the district court's dismissal of its infringement action, and on April 17, 1996, such request for reconsideration was denied by the district court, with the district court entering a further memorandum stating the reasons for such denial. [App. 17a - 23a]. On June 24, 1996, E. J. moved for summary judgment with regard to Sandvik's claim of unfair competition, and, upon Sandvik's failure to file a response to such motion, the district court entered a final Order on November 7, 1996, dismissing Sandvik's case.

On December 6, 1996, Sandvik filed a Notice of Appeal appealing to the Federal Circuit from the district court's dismissal of Sandvik's complaint. The only issues presented on appeal related to the propriety of the district court's ruling on the repair vs. reconstruction issue. In a Decision dated August 6, 1997, the Federal Circuit reversed the grant of summary judgment by the district court, holding that the activities of E. J. constituted impermissible reconstruction. On August 18, 1997, E. J. filed a Petition for Rehearing and Suggestion for Rehearing In Banc asserting that the Federal Circuit's decision was contrary to this Court's prior precedent, and seeking a rehearing of the appeal. On October 16, 1997, E. J.'s Petition for Rehearing was denied, and E. J. now petitions for a writ of certiorari seeking review of the Federal Circuit's reversal of the district court's dismissal of Sandvik's action.

REASONS FOR GRANTING THE PETITION

I. THE DECISION OF THE FEDERAL CIRCUIT IS IN DIRECT CONFLICT WITH THIS COURT'S PRECEDENT.

For over three decades this Court's opinion in Aro Mfg. v. Convertible Top Replacement Co., 365 U.S. 336 (1961)("Aro I"), has served as the guiding precedent in determining whether work performed on a patented device constitutes permissible repair, or impermissible reconstruction. In the years since Aro I the courts of appeal and the district courts have applied the Supreme Court's precedent to provide predictable determinations of the repair vs. reconstruction issue, thereby giving a degree of certainty of result which has escaped other patent related issues such as, for example, the application of the doctrine of equivalents. However, it is respectfully submitted that the Federal Circuit's decision in the instant case undermines this Court's longstanding precedent by introducing a new test for determining the question of repair vs. reconstruction which is in conflict with this Court's decision in Aro I.

A. THIS COURT'S DECISION IN *ARO I*

In Aro I this Court held that ". . . reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to 'in fact make a new article,' after the entity, viewed as a whole, has become spent." 365 U.S. at 346 (citations omitted). In Aro I, the patent owner held a patent for a "Convertible Folding Top with Automatic Seal at Rear Quarter" utilized for automobiles. The patent claims covered the combination of a flexible top fabric, supporting structures, and a mechanism for sealing the fabric against the sides of the automobile body. Aro manufactured and sold replacement fabrics designed to fit the models of convertibles equipped with tops embodying the patented combination. Both the district court and the court of appeals found infringement, but this Court reversed.

First addressing the issue of direct infringement, this Court held as follows:

> . . . [T]he fabric is no more than an unpatented element of the combination which was claimed as the invention, and the patent did not confer a monopoly over the fabric or its shape. In Mercoid Corp. v. Mid-Continent Co., 320 U.S. 661, 667, 60 USPQ 21, 25, this court ruled the point as follows:
>
> > "The patent is for a combination only. Since none of the separate elements of the combination is claimed as the invention, none of them when dealt with separately is protected by the patent monopoly."
> >
> > * * * * *
> >
> > It follows that petitioners' manufacture and sale of the fabric is not a *direct* infringement under 35 U.S.C. §271(a).

365 U.S. at 339-40, 128 USPQ at 356. With respect to contributory infringement, this Court stated:

> This Court's decisions specifically dealing with whether the replacement of an unpatented part, in a patented combination, that has worn out, been broken or otherwise spent, is permissible "repair" or infringing "reconstruction," have steadfastly refused to extend the patent monopoly beyond the terms of the grant. Wilson v Simpson, 9 How. 109 --- doubtless the leading case in this Court that deals with the distinction --- concerned a patented planing machine which included, as elements, certain cutting knives which normally wore out in a few months' use. The purchaser was held to have the right to replace those knives without the patentee's consent. The Court held that, although there is no right to

> "rebuild" a patented combination, **the entity "exists" notwithstanding the fact that destruction or impairment of one of its elements renders it inoperable**; and that, accordingly, replacement of that worn-out essential part is permissible restoration of the machine to the original use for which it was bought. 9 How., at 123. The Court explained that it is "the use of the whole" of the combination which a purchaser buys, and that repair or replacement of the worn-out, damaged or destroyed part is but an exercise of the right "to give duration to that which he owns, or has a right to use as a whole." Ibid.

365 U.S. at 342-43, 128 USPQ at 358 (Emphasis added).

> Mere replacement of individual unpatented parts, one at a time, whether of the same part repeatedly or different parts successively, is no more than the lawful right of the owner to repair his property.

365 U.S. at 346, 128 USPQ at 359.

In Aro I this Court also dealt with the patent owner's assertions regarding the "essentialness" of the fabric element to the combination noting:

> That an unpatentable part of a combination patent may distinguish the invention does not draw to it the privilege of a patent. . . . However worthy it may be, however essential to the patent, an unpatented part of a combination patent is no more entitled to monopolistic protection than any other unpatented device.

Aro I, 365 U.S. at 345, 128 USPQ at 359 (quoting Mercoid Corp. v. Minneapolis-Honeywell Regulator Co., 320 U.S. 680, 684, 60 USPQ 30, 32 (1944). Accordingly, when a patentee sells a patented combination to its customers he grants them an implied license to use the device for its useful life. Kendall Co. v. Progressive Medical Technology, 85 F.3d 1570, 1573, 38 USPQ2d 1917, 1920 (Fed. Cir. 1996). That implied license to use includes the right to repair the patented article and necessarily to purchase repair parts from others.

B. THE DECISION OF THE FEDERAL CIRCUIT IN THE CASE AT BAR.

The Federal Circuit below acknowledged that the Supreme Court has taken an expansive view of what constitutes a permissible repair [App. 5a], and enumerated certain factors which it indicated are to be considered in determining whether reconstruction has occurred. In this regard, the Federal Circuit stated:

> There are a number of factors to consider in determining whether a defendant has made a new article, after the device has become spent, including the nature of the actions by the defendant, the nature of the device and how it is designed (namely, whether one of the components of the patented combination has a shorter useful life than the whole), whether a market has developed to manufacture or service the part at issue and objective evidence of the intent of the patentee.

[App. 6a]. It will first be noted that Aro I sets forth no such factors, or test, for determining the issue. Indeed, in Aro I this Court admonished the appellate court to focus only on those factors which, under the particular circumstances, are determinative of whether a new article has been made after the entity, viewed as a whole, has become spent, stating:

> The distilled essence of the Wilson case was state by Judge Learned Hand in United States v. Aluminum Co. of America, 148 F.2d 416, 425, 65

> USPQ 6, 15-16 (C.A. 2d Cir.): "The [patent] monopolist cannot prevent those to whom he sells from * * * **reconditioning** articles worn by use, unless, they in fact make a new article." **Instead of applying this plain and practical test, the courts below focused attention on operative facts not properly determinative of the question of permissible repair *versus* forbidden reconstruction. The Court of Appeals found that the fabric "is not** a minor or relatively inexpensive component" of the patented combination, or **an element that would expectedly wear out after a very short period of use—although its "expectable life span" is shorter than that of the other components—and**, for these reasons, concluded that "an owner would [not] rationally believe that * * * he was making only a minor repair" in replacing the worn-out fabric, but that instead, the replacement "would be counted as a major reconstruction." **We think that test was erroneous**.

365 U. S. at 343-44 (Emphasis added). Following the above-quoted language the Aro I Court went on to elaborate on the respondents argument concerning the essentialness of the fabric and the relative durability of the parts, but stated:

> We cannot agree. For if anything is settled in the patent law, it is that the combination patent covers only the totality of the elements in the claim and that no element, separately viewed, is within the grant. [citation omitted] The basic fallacy in respondent's position is that it requires the ascribing to one element of the patented combination the status of patented invention in itself.

365 U. S. at 344-45.

The above notwithstanding, in the instant case the Federal Circuit includes in its factors to be determined the relative life of the components of the combination. More specifically, the Federal Circuit considered whether one of the components of a patented combination has a shorter life span than other components, and placed great weight on its finding that the case at bar "is not a case where it is clear that the patented device has a useful life much longer than that of certain parts which wear out quickly." [App.7a]. It is E. J.'s contention that the part being replaced, i.e. the carbide drill tip, does wear out more quickly that the other components of the drill. [App. 27a]. However, whatever the proper determination of this factual issue may be, it was improper for the Federal Circuit to focus on this issue, and it was clearly contrary to this Court's holding in Aro I.

It is recognized that there may be circumstances where the fact that an unpatented element of a patented combination has a shorter life span than the rest of the combination is persuasive evidence that a certain activity is permissible repair. In this regard, the shorter life span may tend to show an expectation that replacement will be necessary. On the other hand, however, a lack of disparate life span is not necessarily indicative of reconstruction. Indeed, if the focus of the inquiry is whether a new patented article has been made, the relevant life span of various unpatented components is irrelevant. If a patented device comprises multiple unpatented parts, all deemed to have the same life span, the purchaser should not be precluded from replacing a damaged part simply because the damaged part was expected to last as long as the other parts. For example, if a patented television has an expected life span of ten years, and an unpatented tuning component of the television fails at some point during, or after, that ten year period, the fact that the tuning component was also expected to last ten years does not make replacement of the tuning component impermissible reconstruction. The lack of disparate life spans does not ascribe to the individual parts the status of patented invention. This notwithstanding, the precedential holding of the Federal Circuit in the instant case is that the relative life spans of the

unpatented components and the patented combination is a factor which must be considered, and that an absence of disparate life spans is evidence of impermissible reconstruction. This is not the law as stated by this Court in Aro I.

Another factor which the Federal Circuit held must be considered in determining the repair vs. reconstruction issue is whether a market has developed to manufacture or service the part at issue. [App. 6a]. In this regard, the Federal Circuit placed great weight on its finding that there was no substantial market for drill retipping of the sort required for the Sandvik drill. [App. 8a]. It is E. J.'s contention that there was substantial evidence in the record of a market for drill retipping. [App. 28a]. Indeed, the testimony of Sandvik's own employee was that replacement of carbide drill tips is a common practice. However, whatever the proper determination of this factual issue may be, it was improper for the Federal Circuit to focus on this issue and contrary to this Court's holding in Aro I. In this regard, this is another factor which may be helpful in demonstrating that a particular activity should be viewed as permissible repair, but the lack of a market which manufactures or services the part at issue is by no means indicative of impermissible reconstruction. For example, the fact that an industry had arisen to repair convertible tops for automobiles was supportive of a conclusion that replacement of the fabric on the top was simply repair. However, situations, such as in Aro I, where a specific repair industry has arisen to repair a particular part are the exception rather than the rule. Clearly the right of an owner to repair the unpatented handle of his patented shovel should not be usurped simply because he cannot show that an industry exist for repairing shovel handles. Likewise, the right of a drill owner to repair the unpatented tip insert of his patented drill should not be usurped simply because he cannot show that an industry exist for retipping drills.

In accordance with the Federal Circuit's new test, another factor which is to be considered in determining whether a new article has been made is "objective evidence of the intent of the patentee."

[App. 6a]. In this regard, in the instant case the Federal Circuit placed considerable weight on its finding that ". . . there was no intent evidenced by the patentee that would support E. J.'s argument that replacement of the tips is a repair." [App. 8a] But see Hewlett-Packard Co. v. Repeat-O-Type Stencil Manufacturing, 123 F.3d 1445, 43 USPQ2d 1650 (Fed. Cir. 1997) (held that a patentee's intent, unless embodied in an enforceable contract, does not create a limitation on the right of a purchaser to use, sell, or modify a patented product as long as a reconstruction of the patented combination is avoided). However, it is respectfully submitted that this factor is also irrelevant to the question of whether a new article has been made.

Evidence that a patentee intended that an unpatented part be replaced may well be relevant to the question of whether the patentee has admitted that repair was permissible, as in Sage Prods., Inc. v. Devon Indus., Inc., 45 F.3d 1575, 33 USPQ2d 1765 (Fed. Cir. 1995). However, the absence of evidence of such intent is irrelevant to the question of whether a new patented article has been made. The manufacturer of a patented lawn mower may well intend that the unpatented motor last the life of the mower, but that intent is irrelevant to whether the owner should be permitted to replace the motor when damaged. Similarly, Sandvik's assertion that it did not intend for the tip insert to be replaced is irrelevant to the question of whether a new patented drill has been made, yet the Federal Circuit focused on the absence of objective evidence of intent in determining this case. Indeed, the Federal Circuit viewed it as a situation where the burden was on E.J., the defendant, to establish that there was an intent to replace. [App. 8a]. It is also noted that Sandvik's assertions of intent appear particularly hollow in view of its admission that retipping is a common industry practice. It is equivalent to a manufacturer of convertible tops asserting that even though it is common practice in the industry for the fabric to be replaced, it did not intend for the fabric on its patented top to be replaced.

CONCLUSION

What the Federal Circuit has done in the case at bar is set forth a test based upon factors which may be totally irrelevant to the question of whether a new patented device has been made. This is the very circumstance which this Court warned against in Aro I. In Aro I this Court held that the plain and practical test is whether a new article has been made, and it is improper to focus on factors, such as the life span of the individual unpatented parts. The Federal Circuit's precedential holding in the present case will certainly unsettle an area of patent law which has been well settled for over three decades. If patent protection extends to unpatented parts of a patented combination simply because such parts are expected to last the life of the patented combination the rights of a purchaser to repair that which he owns will be significantly limited. Similarly, if the patentee's intent not to have his patented products repaired can bestow patent protection upon the unpatented parts of the product, the rights of a purchaser to repair that which he owns will be significantly eroded. This is not the expansive view of the repair vs. reconstruction issue which this Court espoused in Aro I, and if this Federal Circuit precedent is allowed to stand great uncertainty as to the state of the law on this issue will result.

Moreover, if allowed to stand, this new Federal Circuit precedent will have far reaching economic consequences in various repair industries. As Sandvik's own employee testified, drill retipping is a common practice. E.J. has been offering this repair service for many years along with other engineering companies. Further, various companies sell the carbide blanks which are used in the retipping of drills. This repair industry will loose significant revenue should the law now be changed to make the replacement of unpatented parts of patented drills impermissible. And, the adverse effects of the Federal Circuit's holding in this case will not be limited to the cutting tool repair industry. All repair industries must now take into consideration that the replacement of an unpatented part which is expected to last the useful life of a patented product, or which the patentee does not intend

to be replaced, may now constitute infringement notwithstanding that such part has been commonly, and lawfully, repaired for years under this Court's holding in Aro I. In addition, not only will the Federal Circuit's decision in this case have far reaching economic consequences in various cutting tool repair industries, but it will also have a negative economic impact on other industries, such as the automotive industry, that utilize drills and other cutting tools, especially carbide tipped drills and cutting tools.

In light of the above, E.J. urges the Court to grant its petition, and review the Federal Circuit's ruling in the present case.

Respectfully submitted

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January 12, 1998

APPENDIX

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

97-1168

SANDVIK AKTIEBOLAG,

Plaintiff-Appellant,

V.

E.J. COMPANY, VIRA HAYES and ROBERT HAYES,

Defendants-Appellees.

DECIDED: August 6,1997

Before ARCHER, Chief Judge, MICHEL, and LOURIE, Circuit Judges. ARCHER, Chief Judge.

Sandvik Aktiebolag (Sandvik) appeals the order of the United States District Court for the Middle District of Tennessee, No. 3-94-1076, granting summary judgment of noninfringement in favor of defendant E.J. Company (E.J.). The district court held that United States Patent No. 4,222,690 (the '690 patent) and United States Patent No. 4,381,162 (the '162 patent) were not infringed because defendant's replacement of the carbide tip of the drill constituted a permissible repair. We reverse.

BACKGROUND

The facts in this case are not in dispute. The patents in suit are directed to a drill with a shank portion and a unique carbide tip geometry that has specially configured cutting edges resulting in a drill

suitable for high-feed machining with improved cutting ability especially at its center portion.[1] The drill tip is not separately patented.

[graphic here]

As illustrated in the above drawings from the.'690 patent, the drill has a tip (1), shank portion (2), twisted grooves (3), projections (4) (these projections bend and break the chips to render them smoothly removable) and a conical end having a center point (11) at the apex of the cone and a pair of cutting edges (10). The drill shank (2) is made of medium carbon steel. The drill tip (1) is made of a more durable carbide and is brazed to the steel shank (2). Brazing is like

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[1]Claim 1 of the '690 patent provides:

> A drill comprising a pair of cutting edges each starting at the center of rotation of the drill and extending symmetrically with respect to said center and curved outwardly away from the direction of rotation of the drill with a greater curvature in the radial inner portion than in the outer peripheral portion of the drill when viewed from the bottom of the drill, each of the cutting edges being formed with a rake face starting at said center of rotation and having a rake angle approximately equal to zero at the radial inner portion of said rake face, said drill having twisted grooves, and means defining a cavity formed in said twisted grooves close to said starting end of each of the cutting edges to provide an increase in rake face at the inner radial portion of the cutting edge in the vicinity of said starting end of said cutting edge.

The '162 patent, a division of the '690 patent, describes and claims similar subject matter. For example, claim 1 of the 162 patent claims a method of drilling a bore using a drill having "helical grooves and a pair of cutting edges having a rake face."

soldering but with a much higher melting point. It requires a temperature of 1300 degrees Fahrenheit to join the carbide tip to the steel shank.

Sandvik manufactures a commercial embodiment of the patented drill. Although made of durable carbide, over time and use, the drill tip dulls and may require resharpening. Resharpening, also known as regrinding, involves putting a new edge on the drill tip. Normally, the drill can cut through about one thousand inches of material before needing resharpening, depending, of course, upon the hardness of the material being cut. Sandvik expects the drill tip to be resharpened and, in fact, issues guidelines explaining how to resharpen the tip so as to maintain the specially configured cutting edges. Sandvik does not contend that resharpening constitutes infringement.

E.J. offers a drill repair service which includes resharpening and retipping Sandvik drills. E.J. retips, at the request of its customers, when the tip cannot be sharpened because it chips, cracks or simply wears down after being resharpened several times. According to E.J.'s vice-president, Mr. Robert Hayes, some of E.J.'s customers elect not to have the drill retipped when it cannot be resharpened any longer. E.J. returns the drill to the customer or disposes of it at the customer's request. The parties agree that when the tip is damaged (i.e. chipped, cracked or sufficiently worn down so that it cannot be resharpened), the drill has reached the end of its useful life unless R is retipped.

E.J.'s retipping process includes removing the worn or damaged tip by heating the tip to 1300 degrees Fahrenheit using an acetylene torch. E.J. then brazes in a rectangular piece of new carbide onto the drill shank. After the piece of carbide has cooled, E.J. recreates the patented geometry of the cutting edges by machining the carbide. This process includes: (1) grinding the carbide to the proper outside diameter; (2) grinding the carbide to a point; (3) grinding the rake surfaces of the new point; (4) grinding the center of the new point; and (5) honing the edges. In the final steps of the machining process, E.J. creates the cutting edges by following Sandvik's instructions for tip resharpening.

Sandvik claims that E.J.'s retipping service constitutes an infringing reconstruction of its patented drills. Sandvik does not manufacture or sell replacement drill tips. It contends that it never intended for the drills to be retipped. E.J. contends that its retipping service is a lawful repair of the patented drills.

On December 7, 1994, Sandvik filed a patent infringement suit in the United States District Court for the Middle District of Tennessee claiming that E.J.'s retipping service was an impermissible reconstruction of the patented drill and that E.J.'s actions, therefore, constituted an infringement of the '690 and '162 patents. On summary judgment, the district court held that E.J.'s retipping was a permissible repair, not a reconstruction of the drills.

DISCUSSION

I.

We review the district court's grant of summary judgment de novo, Conroy v. .Reebok Int', Ltd., 14 F.3d 1570, 1575, 29 USPQ2d 1373, 1377 (Fed. Cir. 1994), with all justifiable factual inferences being drawn in favor of the party opposing summary judgment, Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 255 (1986). Summary judgment is appropriate where there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c). Whether defendant's actions constitute a permissible repair or an infringing reconstruction is a question of law which we also review de novo. Dawson Chem. Co. v. Rohm & Haas Co., 448 U.S. 176, 217 (1980) (holding that whether defendant's action constitutes a repair or a reconstruction is a "legal distinction"); Sage Prods., Inc. v. Devon Indus., Inc., 45 F.3d 1575, 1577, 33 USPQ2d 1765, 1766-67 (Fed. Cir. 1995) (whether defendant's actions were a permissible repair or an infringing reconstruction is a question of law); FMC Corp. v. Up-Right, Inc., 21 F.3d 1073, 1078, 30 USPQ2d 1361, 1364 (Fed. Cir. 1994) (the distinction between repair and reconstruction is a "legal standard"").

II.

Direct infringement includes the making of a patented article without authority. 35 U.S.C. § 271(a) (1994). Sandvik contends that E.J. is reconstructing its patented drill and therefore infringing its '690 and '162 patents under § 271(a). However, when Sandvik sold its patented drills to its customers, it granted them an implied license to use the drill for its useful life, see Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476, 484 (1964) ("Aro II"), and the implied license to use includes the right to repair the patented drill, see, e.g., Standard Havens Prods., Inc. v. Gencor Indus., Inc., 953 F.2d 1360, 1376, 21 USPQ2d 1321, 1333 (Fed. Cir. 1991).

The Supreme Court has taken an expansive view of what constitutes a permissible repair. In Aro Mfg. Co. v. Convertible Tor) Replacement Co., 365 U.S. 336 (1961) ("Aro I"), the Court held that the replacement of the fabric portion of a convertible car top was a permissible repair, not an infringing reconstruction. 365 U.S. at 346. The Court held: "No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly, however essential it may be to the patented combination and no matter how costly or difficult replacement may be." Id. at 345. Therefore, even if E.J.'s retipping service cost almost as much as the drill or if the replacement of the tip is difficult and time consuming, as in this case, these factors are not dispositive of reconstruction.

The Court also rejected the "heart of the invention test." See id. at 344-45 (holding that replacement of the distinguishing part of the patented combination does not amount to a reconstruction because a patent covers the totality of the elements in a combination); see also Dawson Chem., 448 U.S. at 217 (This Court has "eschewed the suggestion that the legal distinction between 'reconstruction' and 'repair' should be affected by whether the element of the combination that has been replaced is an 'essential' or 'distinguishing' part of the invention.") (citing Aro I, 365 U.S. at 344); Sage Prods., 45 F.3d at 1577, 33 USPQ2d at 1767 ("The size or relative importance of the

replacement part to the patented combination is not relevant when determining whether conduct constitutes repair or replacement."). Therefore, the fact that E.J. may be replacing the novel features of the '690 patented invention is also not dispositive of reconstruction.

In Aro I, the Supreme Court further explained the test for what constitutes a reconstruction: "The decisions of this Court require the conclusion that reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to 'in fact make a new article,' after the entity, viewed as a whole, has become spent." 365 U.S. at 346 (citations omitted). Although we question the district court's finding that the tip is, in fact, a separate part of the device, we need not reach this issue because the court nevertheless failed to analyze whether the replacement of this "part" constituted reconstruction consistent with Aro I.

There are a number of factors to consider in determining whether a defendant has made a new article, after the device has become spent, including the nature of the actions by the defendant, the nature of the device and how it is designed (namely, whether one of the components of the patented combination has a shorter useful life than the whole), whether a market has developed to manufacture or service the part at issue and objective evidence of the intent of the patentee. Under the totality of the circumstances, we hold in this case that E.J.'s actions are a reconstruction.

By E.J.'s own admission, the drill is "spent" when the tip can no longer be resharpened unless it is retipped. In fact, the record reveals that E.J.'s customers may elect not to retip and inform E.J. to discard the drill instead.

Moreover, the nature of the work done by E.J. shows that retipping is more like reconstruction than repair. E.J. does not just attach a new part for a worn part, but rather must go though several steps to replace, configure and integrate the tip onto the shank. It has to break the worn or damaged tip from the shank by heating it to 1300 degrees Fahrenheit. It brazes to the shank a new rectangular block of carbide and grinds and machines it to the proper diameter and creates

the point. Thereafter, the tip is honed and sharpened, grinding the rake surfaces and the center of the point and honing the edges. These actions are effectively a re-creation of the patented invention after it is spent.

This is not a case where it is clear that the patented device has a useful life much longer than that of certain parts which wear out quickly. For example, in Wilson v. Simpson, 50 U.S. (9 How.) 109, 125-26 (1850), in determining that a repair had occurred, the Supreme Court focused specifically on the fact that the machine was designed so that the knives had to be replaced long before the other components:

> The proof in the case, is, that one of [the patentee's] machines, properly made, will last in use for several years, but that its cutting-knives will wear out and must be replaced at least every sixty or ninety days.
>
> ...
>
> [if such a] part of the combination is meant to be only temporary in the use of the whole, and to be frequently replaced, because it will not last as long as the other parts of the combination, its inventor cannot complain.

50 U.S. (9 How.) at 125-26. See also Aro I, 365 U.S. at 337-38 (noting that the fabric had a much shorter expected life (about three years) than the convertible car top); Porter v. Farmer Supply Serv., Inc., 790 F.2d 882, 883, 229 USPQ 814, 814 (Fed. Cir. 1986) ("The useful life of a disk is measured in weeks, that of a harvester is five or six years. The district court found, and it is undisputed, that a purchaser can expect to wear out many disks during the useful life of the header.").

The drill tip in this case is not a part like the detachable knives in the Wilson that have to be replaced periodically over the useful life of the planing machine. The drill tip was not manufactured to be a replaceable part, although it could be resharpened a number of times to extend its life. It was not intended or expected to have a life of temporary duration in comparison to the drill shank. And finally, the tip was not attached to the shank in a manner to be easily detachable.

In Aro I, the Supreme Court also noted that "the consequent demand for replacement fabrics has given rise to a substantial industry." Evidence of development in the industry could also be a factor tending to prove that there is a reasonable expectation that the part of the patented combination wears out quickly and requires frequent replacement. See also Kendall Co. v. Progressive Medical Tech., Inc., 85 F.3d 1570, 1572, 38 USPQ2d 1917, 1919 (Fed. Cir. 1996) ("The resulting market for replacement sleeves has been substantial."); Sage Prods., 45 F.3d at 1577, 33 USPQ2d at 1766 (noting that "[t]he sale of replacement inner containers is a sizable market."). In this case, there is no evidence of a substantial market for drill retipping of the sort required for the Sandvik drill. There is no evidence of large numbers of customers retipping these drills or of companies (other than E.J.) offering to retip these drills. No one manufactures replacement tips for Sandvik's drill and although some customers opt to retip the drill only a small percentage of all drills manufactured are retipped.

Finally, there was no intent evidenced by the patentee that would support E.J.'s argument that replacement of the tips is a repair. See Kendall Co., 85 F.3d at 1575, 38 USPQ2d at 1921 (replacing the sleeve in a medical device which applies pressure to patients' limbs was a repair noting that the manufacturer "clearly intended to permit its customers to replace the sleeves" and actually sold replacement sleeves); Sage Prods., 45 F.3d at 1578-79, 33 USPQ2d at 1767-68 (evidence that patentee intended the inner containers to be replaced, that it manufactures replacement parts and instructs customers to replace supports holding such replacement a permissible repair); Porter, 790 F.2d at 885-86, 229 USPQ at 816-17 (considering that the patentee sold replacement cutting disks for its tomato harvester). The evidence shows that Sandvik never intended for its drills to be retipped. It did not manufacture or sell replacement drill tips. It did not publish instructions on how to retip its patented drills or suggest that the drills could or should be retipped. Sandvik was aware that the drill tip would need occasional resharpening and instructed its customer on

how to resharpen the tip, There is, therefore, no objective evidence that Sandvik's drill tip was intended to be a replaceable part. Although the repair or reconstruction issue does not turn on the intention of the patentee alone, the fact that no replacement drill tips have ever been made or sold by the patentee is consistent with the conclusion that replacement of the carbide tip is not a permissible repair.

Although there is no bright-line test for determining whether reconstruction or repair has occurred, we conclude based on all of the facts in this case that E.J. is reconstructing an otherwise spent device when it retips Sandvik's drills. Accordingly, we hold that E.J.'s drill tip replacements infringe the '690 and '162 patents. Because there are no disputed issues of fact, we reverse the district court grant of summary judgment.

REVERSED

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

97-1168

SANDVIK AKTIEBOLAG,
Plaintff-Appellant,

V.

E.J. COMPANY, VIRA HAYES and ROBERT HAYES,
Defendants-Appellees.

ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the APPELLEE, and a response thereto having been invited by the court and filed by the APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on October 23, 1997.

FOR THE COURT,
JAN HORBALY, CLERK

Dated: October 16, 1997

By /s/
Alex Van Veen
Staff Law Clerk

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

SANDVIK AKTIEBOLAG,	)	
	)	
Plaintiff,	)	
	)	
v.	)	No. 3-94-1076
	)	JUDGE ECHOLS
E.J. COMPANY, et al.,	)	
	)	
Defendants.	)	

ORDER

Presently pending before the Court is Defendants' Second Motion for Summary Judgment (Docket Entry No. 41), to which Plaintiff has failed to respond. For the reasons discussed in the Memorandum contemporaneously entered herewith, Defendants' Motion for Summary Judgment is GRANTED and this case is hereby DISMISSED.

It is so ORDERED.

/s/
ROBERT L. ECHOLS
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

SANDVIK AKTIEBOLAG,	)	
	)	
Plaintiff,	)	
	)	
v.	)	No. 3-94-1076
	)	JUDGE ECHOLS
E.J. COMPANY, et al.,	)	
	)	
Defendants.	)	

MEMORANDUM

Presently pending before the Court is Defendants' Second Motion for Summary Judgment, to which Plaintiff has failed to respond. For the reasons stated herein, Defendants, Motion for Summary Judgment is GRANTED.

Plaintiff filed this action alleging that: (1) Defendants infringed upon its patent rights by replacing the carbide tip of the drill on which it held a patent; and (2) Defendants engaged in unfair competition in marketing the drill. On September 1, 1995, Defendants filed a Motion for Summary Judgment (Docket Entry No. 17) arguing that Count I of the Complaint, Plaintiff's infringement claim, should be dismissed because the replacement of the carbide tip is merely the repair of an unpatented part of a patented product and, therefore, does not constitute infringement. Defendants asserted that Count II, Plaintiff's unfair competition claim, should likewise be dismissed because Plaintiff made no allegation of misrepresentation in commercial advertising or interstate commerce as required by 15 U.S.C. 5 1125(a)(1)(B). In an Order entered on January 22, 1996 (Docket Entry No. 30), the Court granted summary judgment in favor

of Defendants with respect to Plaintiff's patent infringement claim based on a finding that Defendants' actions constitute repair of the drill and thus do not constitute patent infringement. The Court denied Defendants' Motion with respect to the unfair competition claim based on a finding that the Motion was premature as the parties had not yet had adequate time to conduct discovery on the issue. Defendants have now filed a Second Motion for Summary Judgment requesting that the Court dismiss the remaining unfair competition claim.

In ruling on a motion for summary judgment, this Court must construe the evidence produced in the light most favorable to the non-moving party, drawing all justifiable inferences in his or her favor. See Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 255 (1986). A party may obtain summary judgment if the evidentiary material on file shows "that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56 (c). The moving party bears the burden of satisfying the court that the standards of Rule 56 have been met. See Martin v. Kelley, 803 F.2d 236, 239 n.4 (6th Cir. 1986). The ultimate question to be addressed is whether there exists any genuine issue of material fact which is disputed. See Anderson v. Liberty Lobby Inc., 477 U.S. at 248. If so, summary judgment dismissal is inappropriate.

In Count II, Plaintiff asserts an unfair competition claim pursuant to 15 U.S.C. S 1125(a). The Complaint reads as follows:

> 3. Defendants have competed unfairly with Plaintiff by manufacturing, selling and offering for sale a product that includes reconstructed cutting inserts which incorporate the patented cutting edge geometry of U.S. Patent Nos. 4,222,690 and 4,381,162. The offer and/or sale of such a reconstructed patented combinations (which is not offered by Plaintiff) erodes the market for new, patented drills from Plaintiff and constitutes an act of unfair competition since the cost of the reconstructed

drills offered by Defendants is significantly less than the cost of a new drill from Plaintiff.

4. Defendants have caused and [continue] to cause adverse reaction by consumers and, on information and belief, have misled consumers as to the nature, characteristics, and qualities of their goods as equivalent to or readily substitutable for the original patented drills manufactured and sold by Plaintiff.

Defendants assert that the unfair competition claims as articulated in paragraph 3 of the Complaint should be dismissed because such a claim is premised on a finding that Defendants, actions constitute impermissible reconstruction, a finding contrary to this Court's ruling on Defendants' prior Motion for Summary Judgment. The Court agrees. As stated by this Court in its Memorandum entered on January 22, 1996 (Docket Entry No. 31), which accompanied the Order granting Defendants' Motion for Summary Judgment on Count I, "[t]o the extent that Plaintiff Is claim of unfair competition is based on Defendants' action in 'reconstructing' the carbide tip of the drill, the Court's ruling today that Defendants' actions constitute permissible repair prohibits Plaintiff from asserting a claim of unfair competition." It is clear that the relief sought in paragraph 3 is premised on a finding that Defendants' actions constitute impermissible reconstruction. As the Court has explicitly held otherwise, the Court finds that this claim should be dismissed.

Defendants contend that the unfair competition claim as articulated in paragraph 4 should likewise be dismissed because Plaintiff failed to provide any evidence that Defendants violated 15 U.S.C. 5 1125(a). Section 1125(a) provides that:

(1) Any person who, on or in connection with any goods or services or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation

> of original, false or misleading description of fact, or false or misleading representation of fact, which --
>
> > (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
> >
> > (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, of commercial activities
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. 5 1125 (a). At the outset, the Court notes that, as Plaintiff has failed to respond to Defendants' Motion, it has provided no evidence that Defendants have violated Section 1125 (a). As Plaintiff has provided no evidence that Defendants have engaged in unfair competition, Plaintiff has failed to raise a genuine issue of material fact and Defendants are entitled to judgment on this issue as a matter of law. While Plaintiff has not disputed that its unfair competition claim should be dismissed in the context of the pending motion, the Court has nevertheless reviewed Plaintiff's arguments in support of this claim in the context of its Memorandum in opposition to Defendants' Motion for Summary Judgment and Attorney's Fees (Docket Entry No. 24) which was filed in response to Defendants' original Motion for Summary Judgment. In that Memorandum, Plaintiff argues that Defendants engaged in unfair competition as defined in Section 1125(a) because of their use of Plaintiff's

trademarks in advertisements. The Court has examined the advertisements which use Plaintiff's trademark and it is clear that the trademark is being used in order to advertise that Defendants repair Plaintiff's product.[1] Use of a trademark in order to advertise repair where the advertisement merely describes those products which can be repaired is permissible use of that trademark. Volkswagenwerk Aktiengesellschaft v. Church, 411 F.2d 350, 351 (9th Cir. 1969) (holding that, while an automobile repair business cannot advertise in a manner which is likely to suggest that it is part of Volkswagen's organization, it may use Volkswagen's trademark in order to advertise that it repairs such vehicles). As such, the Court finds that Plaintiff's claim of unfair competition under Section 1125(a) should be dismissed.

For the foregoing reasons, Defendants' Motion for Summary Judgment is GRANTED and this case is hereby DISMISSED in its entirety.

/s/
ROBERT L. ECHOLS
UNITED STATES DISTRICT JUDGE

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[1]The Court notes that the advertisements were submitted by Defendants, and not by Plaintiff, and as such, may not be fully representative of the allegedly offending advertisements. As Plaintiff failed to respond to Defendants' Motion, however, the Court is limited to examining these documents.

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

SANDVIK AKTIEBOLAG,	)	
	)	
Plaintiff,	)	
	)	
v.	)	No. 3-94-1076
	)	JUDGE ECHOLS
E.J. COMPANY, et al.,	)	
	)	
Defendants.	)	

ORDER

Pending before the Court is Plaintiff's Request for Reconsideration (Docket Entry No. 35), to which the Defendant has responded. Plaintiff requests the Court to reconsider its Memorandum and Order dated January 22, 1996, in which the Court granted Defendant summary judgment on Plaintiff's claim of patent infringement, finding that Defendant's actions constituted permissible repair rather than impermissible reconstruction. For the reasons stated in the accompanying Memorandum, Plaintiff's Request for Reconsideration is hereby DENIED. Accordingly, this case will proceed as scheduled.

It is so ORDERED.

/s/
ROBERT L. ECHOLS
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

SANDVIK AKTIEBOLAG,	)	
	)	
Plaintiff,	)	
	)	
v.	)	No. 3-94-1076
	)	JUDGE ECHOLS
E.J. COMPANY, et al.,	)	
	)	
Defendants.	)	

MEMORANDUM

Pending before the Court is Plaintiff's Request for Reconsideration (Docket Entry No. 35), to which Defendant has responded. Plaintiff requests the Court to reconsider its Memorandum and Order dated January 22, 1996, in which the Court granted Defendant summary judgment on Plaintiff's claim of patent infringement, finding that Defendant's actions constituted permissible repair rather than impermissible reconstruction.

In its Request,, Plaintiff asserts that "the Court has created a new test for determining when an integral material may be considered a 'part' for the purposes [of] distinguishing 'repair', from 'reconstruction.'" Plaintiff suggests that this test is too stringent or its application in this case raises fact issues that would preclude summary judgment. Plaintiff further argues that the Court has incorrectly concluded that Defendant's actions in reinserting, and sculpting a new carbide tip constitute a replacement of the part. It contends that even if the carbide tip is viewed as a part, Defendant's actions in sculpting a new tip constitute impermissible reconstruction. Plaintiff points to the fact that because the drill as a whole is spent once the tip is no

longer usable, Defendant's actions in replacing the tip constitute impermissible reconstruction as it has in effect made a new drill. Next, Plaintiff complains that the Court's Memorandum does not address its summary judgment argument on estoppel. Plaintiff states that although resolution of this issue may not be necessary given the Court's decision on the "repair vs. reconstruction" issue, the issue of estoppel should be addressed to avoid piecemeal litigation in the event that Defendant successfully appeals this case to the United States Court of Appeals for the Federal Circuit. Finally, Plaintiff complains that the Court misconstrued some of its arguments in its previous filings.

After reviewing Plaintiff's Request and the Memorandum and Order dated January 22, 1996, the Court is of the opinion that despite Plaintiff's assertions, the Court's conclusion that Defendant's conduct constitutes permissible repair is correct. The Court further finds that it is unnecessary to address Plaintiff's argument regarding estoppel as that issue in now moot. Finally, although a review of Plaintiff's earlier filings suggests that the Court has not misconstrued Plaintiff's arguments, Plaintiff's characterization of its arguments in its Request do nothing to change the Courts ruling that Defendant's actions constitute permissible repair.

In its Request, Plaintiff first argues that "the Court has created a new test for determining when an integral material may be considered a 'part' for the purposes [of] distinguishing 'repair" from 'reconstruction.' " Plaintiff suggests that this test is too stringent or its application in this case raises fact issues that would preclude summary judgment. A determination as to whether the carbide tip of the drill constitutes a "part" rather than an "ingredient" of the drill is significant because Plaintiff's patent protects the drill as a whole. If the carbide tip is an ingredient of the drill, it is protected as well; however, if the tip is a part of the drill, Plaintiff's patent protects the combination of unpatented parts, and the tip is merely an unpatented part of a patented product. In that case,, the tip may be repaired or replaced in any manner because the tip itself is not patented.

In support of its argument, Plaintiff relies on several cases decided prior to the Supreme Court's holding in Aro Mfg. Co. v. Convertible Top Replacement Co. ("Aro I"), 365 U.S. 336 (1961). See Williams v. Hughes Tool Co., 186 F.2d 278 (10th Cir. 1950); Hughes Tool Co. v. Owen, 123 F.2d 950 (5th Cir. 1941); Southwestern Tool Co. v. Hughes Tool Co., 98 F.2d 42 (10th Cir. 1938); Monroe Auto Equip. Co. v. Precision Rebuilders, Inc., 229 F. Supp. 347 (D.C. Kan. 1964); Hughes Tool Co. v. United Machine Co., 35 F.Supp. 879 (N.D. Tax. 1939). Plaintiff complains that the Court's Memorandum has eschewed the tests applied in these cases in favor of a new test created by the Court. The test applied by this Court in its Memorandum, however, is far from new, although the facts to which it was applied are novel; it is the test announced by the Supreme Court in Aro I. In Aro I, the Court stated, "No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly, however essential it may be to the patented combination and no matter how costly or difficult replacement may be." Aro I, 365 U.S. at 345. Thus, the Court held "that maintenance of the 'use of the whole' of the patented combination through replacement of a spent, unpatented element does not constitute reconstruction." Id. The cases relied upon by Plaintiff for the proposition that the Court has created a now test do not follow this line of reasoning. For the reasons stated in its Memorandum entered on January 22, 1996, the Court finds that its conclusion that the carbide tip constitutes a part of the drill, thereby allowing for replacement of the tip without infringing upon Plaintiff's patent, is consistent with the Supreme Court's holding in Aro I, in which the Court held that replacement of a convertible top fabric did not violate the patent hold on a convertible folding top that included a flexible top fabric, supporting structures, and a mechanism by which the fabric sealed against the side of the body of the car.

Plaintiff also argues that application of this test raises fact issues that would preclude summary judgment. Specifically, Plaintiff contends that the issue of whether the brazing process by which the

carbide tip is connected to the steel shaft of the drill renders the two elements indistinguishable constitutes a disputed material fact precluding summary judgment. The Court finds, however, that the facts of this case, i.e. the process by which the two materials are joined, are not in dispute. Whether or not this process renders the carbide tip a "part" or an "ingredient" is a question for the Court. Accordingly, summary judgment is appropriate in this case.

Plaintiff also relies on the following language in Aro I to support its contention that replacement of the carbide tip constitutes reconstruction of the drill because the drill as a whole is spent if the carbide tip is unusable:

> We hold that the maintenance of the 'use of the whole' of the patented combination through the replacement of a spent, unpatentable element does not constitute reconstruction.
>
> The decisions of this Court require the conclusion that reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to 'in fact make a new article,' . . . after the entity, viewed as a whole, has become spent.

Id. at 346 (citation omitted). Plaintiff apparently contends that because the drill as a whole is no longer useful if the carbide tip is worn or damaged, any replacement of the tip would constitute impermissible reconstruction. This argument is without merit. Simply because a part that is essential to the use of a product is no longer functioning properly, thus rendering the product as a whole useless, does not mean that replacement of that part constitutes impermissible reconstruction. Certainly, one would maintain that a workable convertible top fabric is necessary to the proper functioning of a convertible top as a whole. Nonetheless, the Court in Aro I held that replacement of that convertible top fabric constitutes permissible repair of a part rather than impermissible reconstruction. Likewise, in the present case, simply because the carbide tip is essential to the proper functioning of

the drill does not mean that replacement of that tip amounts to impermissible reconstruction.

Plaintiff also complains that the Court's Memorandum does not address the issue of estoppel. Entry of summary judgment for Defendant, however, has rendered Defendant's estoppel defense moot. Therefore, it was unnecessary for the Court to address that issue in its Memorandum. Judicial economy dictates that the Court address that issue only should it become necessary by reason of remand.

Finally, Plaintiff has argued that the Court mischaracterized some of its arguments. First, Plaintiff asserts that the Court misattributed to it a contention that the patents protect only the carbide tip rather than the entire drill. A review of Plaintiff's Memorandum in Opposition to Defendant's Motion for Summary Judgment and Attorney Fees Under 35 U.S.C. § 285, however, reveals, that Plaintiff has made this very contention. It states:

> E.J. argues that "what is claimed is not the cutting edges alone, but a drill comprising a combination of elements which includes features of both the cutting edge insert and the supporting shaft . . . ." Yet, the claim says nothing about which shapes are rendered in steel and which rendered in carbide. In fact, all of the recited geometries are carbide. These are the cutting edges, the rake faces, and the means defining a cavity. The twisted grooves are carbide and steel and are recited merely as a point of reference.

(Docket Entry No. 24, p. 6). Thus, at the very least, it can be said that Plaintiff has suggested that its patent claim covers only the elements of the drill that are rendered solely in carbide, i.e. the elements that make up the tip.

Next, Plaintiff argues that the Court mischaracterized its contentions regarding the preambles and bodies of the patents at issue. Apparently, Plaintiff complains about the Court's failure to specify that it was referring to the preambles and bodies of the claims of the

patents, rather than the patents themselves. To the extent that the Memorandum uses the term "patent," the Court agrees with Plaintiff that use of the term "claims" would have been more precise. However, the meaning of the Memorandum remains the same and is clear regardless of which term is used. Thus, amendment of the Memorandum is unnecessary. Furthermore, even if the Court had misattributed these arguments to Plaintiff, it would not affect the Court's finding that Defendant's actions constituted permissible repair rather than impermissible reconstruction.

For the foregoing reasons, Plaintiff's Request for Reconsideration is hereby DENIED. Accordingly, this case will proceed as scheduled.

/s/
ROBERT L. ECHOLS
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

SANDVIK AKTIEBOLAG,	)	
	)	
Plaintiff,	)	
	)	
v.	)	No. 3-94-1076
	)	JUDGE ECHOLS
E.J. COMPANY, et al.,	)	
	)	
Defendants.	)	

ORDER

Pending before the Court are the following: (1) Defendants' Motion for Summary Judgment and for Attorney Fees (Docket Entry No. 17), to which Plaintiff has responded; and (2) Plaintiff's Motion for Summary Judgment (Docket Entry No. 21), to which Defendant has responded.

Plaintiff filed this action, alleging that (1) Defendants infringed upon its patent rights by replacing the carbide tip of the drill on which it held a patent, and (2) Defendants engaged in unfair competition in marketing the drill. Defendants filed their motion for Summary Judgment, arguing that the replacement of the carbide tip is merely the repair of an unpatented part of a patented product and, therefore, does not constitute infringement. Plaintiff responded, contending that Defendants' actions constitute an impermissible reconstruction of the drill rather than a mere repair. Plaintiff has also filed a Motion for Summary Judgment, arguing that Defendants' actions clearly constitute reconstruction of its patented drill, thereby infringing upon Plaintiff's patent. For the reasons stated in the accompanying Memorandum, the Court finds that Defendants' actions constitute repair of the drill and thus do not constitute patent

infringement. With respect to Plaintiff's claim of unfair competition, the Court finds that Defendants' Motion is premature as the parties have not had adequate time to conduct discovery on this issue. Finally, the Court holds that granting attorneys, fees to Defendants is inappropriate because Plaintiff's claim is not clearly baseless such that this case should be considered exceptional.

Accordingly, Defendants' Motion for Summary Judgment is hereby GRANTED IN PART and DENIED IN PART, Defendants' Motion for Attorneys' Fees is hereby DENIED, and Plaintiff's Motion for Summary Judgment is hereby DENIED. This case will proceed with Plaintiff's claim of unfair competition under 15 U.S.C. § 1125.

This case is hereby returned to the Magistrate Judge for further case management pursuant to Local Rule 11.

It is so ORDERED.

/s/
ROBERT L. ECHOLS
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

SANDVIK AKTIEBOLAG,	)	
	)	
Plaintiff,	)	
	)	
v.	)	No. 3-94-1076
	)	JUDGE ECHOLS
E.J. COMPANY, et al.,	)	
	)	
Defendants.	)	

MEMORANDUM

Pending before the Court are Defendants' Motion for Summary Judgment and for Attorney Fees, to which Plaintiff has responded, and Plaintiff's Motion for Summary Judgment, to which Defendant has responded. Plaintiff filed this action, alleging that (1) Defendants infringed upon its patent rights by replacing the carbide tip of the drill on which it held a patent, and (2) Defendants engaged in unfair competition in marketing the drill. Defendants filed their Motion for Summary Judgment, arguing that the replacement of the carbide tip is merely the repair of an unpatented part of a patented product and, therefore, does not constitute infringement. Plaintiff responded, contending that Defendants' actions constitute an impermissible reconstruction of the drill rather than a mere repair. Plaintiff has also filed a Motion for Summary Judgment, arguing that Defendants' actions clearly constitute reconstruction of its patented drill, thereby infringing upon Plaintiff's patent. For the reasons stated herein, the Court finds that Defendants' actions constitute repair of the drill and thus do not constitute patent infringement. With respect to Plaintiff's claim of unfair competition, the Court finds that

Defendants' Motion is premature as the parties have not had adequate time to conduct discovery on this issue. Finally, the Court holds that granting attorneys' fees to Defendants is inappropriate because Plaintiff's claim is not clearly baseless such that this case should be considered exceptional. Accordingly, Defendants' Motion for Summary Judgment is hereby GRANTED IN PART and DENIED IN PART, Defendants' Motion for Attorneys' Fees is hereby DENIED, and Plaintiff's Motion for Summary Judgment is hereby DENIED.

Plaintiff filed this suit asserting infringement of U.S. Letters Patent No. 4,222,690 and U.S. Letters Patent No. 4,381,162, as well as unfair competition. Plaintiff is a licensee of the patents held on the drill. Both of the patents-in-suit generally relate to a drill made up of two different materials, medium carbon steel for the shank and carbide for the cutting tip. The carbide tip of the drill is soldered in place using a hard solder having a relatively high melting point. The drill is described in both patents as follows:

> A drill comprising a pair of cutting edges extending from the center of rotation of the drill symmetrically with respect to the center and curved outwardly away from the direction of rotation of the drill with a greater curvature in the center portion than in the outer peripheral portion of the drill when seen in a bottom view. The cutting edge is formed, close to its starting end, with a rake face having a rake angle approximately to zero to enable the starting end portion of the edge to cut a workpiece with greater ease.

(Docket Entry No. 18, Exhibits A & B).

It is Plaintiff's contention that Defendants' actions in retipping the drills manufactured by Plaintiff constitute an infringement of these patents and unfair competition. The commercial configuration of this drill consists of a carbide tip insert that is mounted in a slot in the steel shank of the drill and bonded to the shank by brazing. The carbide tip of the drill generally wears out long before the steel shank; therefore,

it must be sharpened. However, at some point, the carbide tip may become too badly worn or damaged to permit resharpening. Various companies, including Defendant E.J. Company, offer services which include retipping of drills. In the retipping process, the distal end of the drill is heated using an acetylene torch to melt the brazing material, and the worn tip insert is removed from the shank. A replacement tip insert is then secured in the slot of the original drill shank by brazing. After the drill has cooled, the tip insert is ground to the proper diameter utilizing a conventional grinding machine. Defendants assert that they then shape the tip using the sharpening instructions published by Plaintiff.

In their cross-motions for summary judgment, both parties agree that no material fact is in dispute, and thus, this case is ripe for summary judgment. The parties do not dispute the facts relating to Defendants' actions in retipping the drills manufactured by Plaintiff. Rather, the parties' central dispute is whether Defendants, actions constitute a permissible repair and replacement of an unpatented element of the patented product or an impermissible reconstruction of the patented product.

In ruling on a motion for summary judgment, this Court must construe the evidence produced in the light most favorable to the non-moving party, drawing all justifiable inferences in his or her favor. See Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 255 (1986). A party may obtain summary judgment if the evidentiary material on file shows "that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c). The moving party bears the burden of satisfying the court that the standards of Rule 55 have been met. See Martin v. Kelley, 803 F.2d 236, 239 n.4 (6th Cir. 1986). The ultimate question to be addressed is whether there exists any genuine issue of material fact which is disputed. See Anderson v. Liberty Lobby, Inc., 477 U.S. at 248. If so, summary judgment dismissal is inappropriate.

Defendants assert that their actions constitute a repair of an unpatented part (the carbide tip) of a patented product (the drill).

Conversely, Plaintiff views the patented drill as a single entity, and Defendants, actions in replacing the carbide tip constitute the impermissible reconstruction of the drill. The Supreme Court discussed the distinction between the lawful repair and unlawful reconstruction in Aro Mfg. Co. v. Convertible Top Replacement Co., 365 U.S. 336 (1961) ("Aro I"). In Aro I, the plaintiff, which owned a patent on a convertible folding top that included a flexible top fabric, supporting structures, and a mechanism by which the fabric sealed against the side of the body of the car, brought an action for patent infringement against the defendant companies that manufactured and sold replacement fabrics for convertibles equipped with the plaintiff's patented device. The Court recognized it is well settled in patent law "that the combination patent covers only the totality of the elements in the claim and that no element, separately viewed, is within the grant. Id. at 344 (citations omitted). Therefore, it held that the defendants' actions in manufacturing and selling replacement fabrics did not constitute patent infringement because the plaintiff held a patent on the combination of elements, and thus, the patent was not infringed by the replacement of an individual, unpatented part. Id. at 345.

The Aro I Court further stated that "[n]o element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly, however essential it may be to the patented combination and no matter how costly or difficult replacement maybe." Id. See also Mercoid Corp., v. Minneapolis-Honeywell Regulator Co., 320 U.S. 680, 684 (1944). Thus, the Court held "that maintenance of the 'use of the whole' of the patented combination through replacement of a spent, unpatented element does not constitute reconstruction." Aro I, 365 U.S. at 345. Rather, reconstruction "is limited to such a true reconstruction of the entity as to 'in fact make a new article' after the entity, viewed as a whole, has become spent." Id. (citations omitted). Mere replacement of unpatented parts of a patented product is simply the lawful right of the owner to repair his property. Id.

Clearly, the Supreme Court has taken "an expansive view of conduct that constitutes permissible repair of a patented combination of unpatented elements." Sage Prods. v. Devon Indus., 45 F.3d 1575, 1578 (Fed. Cir. 1995). "The Court has thus 'eschewed the suggestion that the legal distinction between 'reconstruction' and 'repair' should be affected by whether the element of the combination that has been replaced is an 'essential' or 'distinguishing' part of the invention.'" Id. (quoting Dawson Chem. Co. v. Rohm & Haas Co., 448 U.S. 176, 217 (1980)).

In the present case, Plaintiff first contends that it is not the assignee of "combination patents." Rather, its patents protect only the carbide tip of the drill and not the entire drill, including the shank and the tip; therefore, Defendants have violated their patents by reconstructing the carbide.tip in the same patented geometric form.

The language of the patents belie this contention. While admitting that the preambles of the patents are directed to the entire drill, Plaintiff asserts that the body of the patents refer to the carbide tip alone. The bodies of U.S. Patent Letters Nos. 4,222,690 and 4,381,162, however, refer to figures diagramming both the steel shank and the carbide tip of the drill. In fact, both patent letters state:

> The drill shown in FIGS. 1 to 4 includes tips 1, a shank 2, twisted grooves 3 and a conical end having a center point 11 at the apex of the cone and a pair of cutting edges 10 extending from the center point 11 symmetrically with respect to the center point 11. Each of the tips 1 is made for example from cemented carbide alloy in the form of a plate and attached to the conical end of the shank 2 by brazing, or by bolt as a throw-away piece. Instead of attaching the separate tips to the shank 2, the tips may be formed integrally with the shank.

(Docket Entry No. 18, Exhibits A & B). Thus, it is clear from the language of the patents that they are intended to include not only the carbide tip of the drill but also the steel shaft and the drill as a whole.

Next, Plaintiff asserts that the drill is a single entity, and thus, once the tip is worn such that it can no longer be sharpened, the drill as a whole is spent; therefore, Defendants' actions in retipping the drill constitute an impermissible reconstruction of the drill as a whole. Thus, Plaintiff is essentially asserting that it does not hold a combination patent because the drill is not made up of a combination of parts. Conversely, Defendants maintain that the drill is made up of two separate parts--the carbide tip and the steel shaft--and thus, their actions in replacing the carbide tip of the patented drill constitute replacement of only one part of the drill, which is permissible repair. See Porter v. Farmers Supply Serv., 790 F.2d 882, 886 (Fed. Cir. 1986) (holding that replacement of a worn part in a patented combination constitutes repair rather than reconstruction).

In its attempt to characterize Defendants' actions as reconstruction rather than repair, Plaintiff urges that carbide is merely a material used to produce the drill rather than a particular part of the drill. To support its proposition that carbide is merely a material used to produce a single entity, Plaintiff highlights the fact that Defendants must use an acetylene torch producing heat of 1300 degrees Fahrenheit to remove the carbide tip. Thus, Plaintiff argues that the present case is distinguishable from those cases relied upon by Defendants for the proposition that replacement of an individual part constitutes repair. It is true that the cases relied upon by Defendants concern products with parts that are readily distinguishable and easily detachable. See Aro I, 365 U.S. 336 (convertible top consisting of the metal framework, mounting hardware, tonneau, and fabric covering); Sage Prods., 45 F.3d 1575 (waste disposal system comprising an outer enclosure and a removable inner container); King Instrument Corp. v. Otari Corp., 814 F.2d 1560 (Fed. Cir. 1987) (automatic device for loading tape into closed cassettes); Wahpeton Canvas Co. v. Bremer, 893 F. Supp. 863 (N.D. Iowa 1995) (roll-up tarp unit consisting of a number of parts) , appeal denied, 64 F.3d 671 (Fed. Cir. 1995). As the Supreme Court noted in Aro I, however, the cost or difficulty of

replacement has no bearing on the determination as to whether an action constitutes repair or reconstruction. Aro I, 365 U.S. at 345.

In characterizing carbide as a material used to make up a single entity, one may analogize the carbide tip to an ingredient in a recipe. After the recipe is complete, the ingredient no longer retains its original character. Unlike the recipe ingredient, however, the carbide tip does not mix with another substance to form a new metal alloy. Although it may be difficult to remove, it retains its original character and thus may be considered a part for purposes of determining whether Defendants' actions constitute repair or reconstruction. The Court's decision characterizing the carbide tip as a part is consistent with the Supreme Court's expansive view of conduct that constitutes permissible repair. See Sage Prods., 45 F.3d at 1578. Accordingly, the Court finds that Plaintiff cannot sustain its claims of patent infringement.[1]

Plaintiff has asserted a second cause of action under 15 U.S.C. § 1125(a) for unfair competition. Plaintiff alleges that Defendants have unfairly competed by "manufacturing, selling and offering for sale a product that includes reconstructed cutting inserts which incorporate the patented cutting edge geometry of U.S. Patent Nos. 4,222,690 and 4,381,162." (Complaint, Docket Entry No. 1). To the extent that Plaintiff's claim of unfair competition is based on Defendants, actions in "reconstructing" the carbide tip of the drill, the Court's ruling today that Defendants' actions constitute permissible repair prohibit Plaintiff from asserting a claim of unfair competition.

In its Complaint, Plaintiff also alleges that Defendants have engaged in unfair competition because they have "caused and continues [sic] to cause adverse reaction by consumers and, on information and belief, have misled consumers as to the nature,

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[1]As the Court has found that Plaintiff cannot sustain its claims of patent infringement, any claim dependent upon the independent claims of patent infringement must also be denied. Wahpeton Canvas Co. v. Frontier, Inc., 870 F.2d 1546, 1553 (Fed. Cir. 1989).

characteristics, and qualities of their goods as equivalent to or readily substitutable for the original patented drills manufactured and sold by Plaintiff." (Complaint, Docket Entry No. 1). Defendants insist that this claim must be dismissed because Plaintiff has made no allegation as to misrepresentation in commercial advertising or interstate commerce as required by 15 U.S.C. §1125(a)(1)(B). Plaintiff responds that with respect to the claim for unfair competition, Defendants, motion is premature. Plaintiff notes that discovery in this case has been limited to the issues of repair versus reconstruction and estoppel. Other than Defendant E.J. Company's advertisements that use Plaintiff's trademark, Plaintiff complains that it has had no opportunity to discover what Defendants have communicated to their customers that may create confusion as to the origin, sponsorship, or approval of Defendants' drills.

After a review of the filings submitted to the Court, it is apparent that the discovery in this case thus far has been limited to the issues of repair versus reconstruction and estoppel. Consequently, the Court must deny Defendants' Motion for Summary Judgment with regard to Plaintiff's claim of unfair competition to permit Plaintiff more time to discover information that may support its claim.

Finally, Defendants have moved for attorneys' fees under 35 U.S.C. § 285, which allows the district court to award attorneys' fees to the prevailing party in exceptional patent cases. The filing and maintaining of a patent infringement suit that the patentee knows or clearly should know is baseless constitutes grounds for declaring a case "exceptional" under 35 U.S.C. § 285. Eltech Sys. Corp. v. PPG Indus., 903 F.2d 805, 810 (Fed. Cir. 1990). Once the court finds a case to be "exceptional," it is within the court's discretion to award attorneys' fees to the prevailing party. Id. at 811.

The Court does not find the present case to be "exceptional" under 35 U.S.C. § 285. There is no evidence that Plaintiff knew that his present cause of action was baseless. Indeed, there is little precedent regarding the distinction between repair and reconstruction to guide the parties, as well as the courts. See Wahpeton Canvas, 893

F. Supp. at 869 (noting the difficulty of distinguishing between repair and reconstruction). In fact, the parties submitted no case addressing the issue before the Court regarding the distinction between an indistinguishable material element of a patented product and an unpatented part of a patented product. Accordingly, the Court cannot find Plaintiff's patent infringement claim to be "exceptional." Furthermore, even if the Court were to find Plaintiff's claim to be exceptional, the cases relied upon by Defendants in support of their Motion for Attorneys' Fees involve conduct evincing bad faith on the part of the patentee. See Eltech Sys., 903 F.2d at 811 (discussing a myriad of abuses to the discovery process, including withholding relevant information); Hughes v. Novi American, Inc., 724 F.2d 122 (Fed. Cir. 1984) (plaintiff gave false answers to interrogatories); Loctite Corp. v. Fel-Pro, Inc., 667 F.2d 577 (7th Cir. 1981) (plaintiff committed a number of discovery abuses including refusing to produce test reports to substantiate charges, concealing suspicion that test data was tainted, and impeding discovery). As there is no evidence of such conduct evincing bad faith on the part of Plaintiff in the present case, the Court can find no basis for awarding attorneys' fees under 35 U.S.C. § 285.

For the foregoing reasons, Defendants' Motion for Summary Judgment is hereby GRANTED IN PART and DENIED IN PART, Defendants' Motion for Attorneys' Fees is hereby DENIED, and Plaintiff's Motion for Summary Judgment is hereby DENIED. This case will proceed with Plaintiff's claim of unfair competition under 15 U.S.C. § 1125.

/s/
ROBERT L. ECHOLS
UNITED STATES DISTRICT JUDGE